

ATTACHMENT A

WorldCom and Subsidiary Pending FCC Applications and Requests

WORLDCOM AND SUBSIDIARY PENDING FCC APPLICATIONS AND REQUESTS

(sorted by licensee name)

CALLSIGN	FILE NO.	SERVICE	APPLICANT/LICENSEE/ASSIGNEE	DATE FILED	TYPE OF APPLICATION
NIA	20000818AAA	MD	APPLIED VIDEO TECHNOLOGIES, INC.	8/18/2000	New Station Application for MDS 1, 2A channels
N/A	20010420AGB	MD	APPLIED VIDEO TECHNOLOGIES, INC.	4/20/2001	New Station Application for MDS 1, 2A channels
NIA	19960510CI	MD	ATLANTIC MICROSYSTEMS, INC.	Accepted 5/17/1996	New Station Application for MDS 2A channel
NIA	19971107AJ	MD	BUFFALO LICENSE, INC.	11/17/1997	New Station Application for the MDS F Group channels
N/A	19971107AK	MD	BUFFALO LICENSE, INC.	11/17/1997	New Station Application for MDS Channel H-1
NIA	19971107AL	MD	BUFFALO LICENSE, INC.	11/17/1997	New Station Application for MDS Channel H-3
N/A	20010126AAZ	MD	COMMONWEALTH LICENSE, INC.	11/26/2001	New Station Application for MDS Channel 2A
WMH877	20020820AAB	MD	CS WIRELESS SYSTEMC, INC. (DIP)	8/20/2002	Assignment of License
NIA	0000999049	AL	EXPRESS COMMUNICATIONS, INC., (DIP)	8/16/2002	Assignment of License
NIA	0000996769	AL	INTERMEDIA COMMUNICATIONS (DIP)	8/14/2002	Assignment of License
KFK28	20020820AAA	MD	INTERMEDIA SERVICES, LLC (DIP)	8/20/2002	Assignment of License
NIA	0000998447	AL	INTERMEDIA SERVICES, LLC (DIP)	8/15/2002	Assignment of License
NIA	0001001637	AL	MCI WORLDCOM COMMUNICATIONS, INC. (DIP)	8/19/2002	Assignment of License
NIA	0001001655	AL	MCI WORLDCOM COMMUNICATIONS, INC. (DIP)	8/19/2002	Assignment of License
N/A	0001001683	AL	MCI WORLDCOM COMMUNICATIONS, INC. (DIP)	8/19/2002	Assignment of License
WPKX357	0001013011	IG	MCI WORLDCOM NETWORK SERVICES, INC.	8/29/2002	Renewal Application
NIA	0001047876	IG	MCI WORLDCOM NETWORK SERVICES, INC.	10/31/2002	New Station Application
N/A	0000995974	AL	MCI WORLDCOM NETWORK SERVICES, INC. (DIP)	8/13/2002	Assignment of License
N/A	19961007DJ	MD	ROCHESTER LICENSE, INC.	10/17/1996	New Station Application for MDS Channel I
NIA	19961022ES	MD	ROCHESTER LICENSE, INC.	10/22/1996	New Station Application for the MDS E Group Channels
WPQN546	0000056180	CG	SKYTEL COMMUNICATIONS, INC.	12/10/1999	New Station Application
NIA	0000999425	AL	SKYTEL COMMUNICATIONS, INC. (DIP)	8/16/2002	Assignment of License
NIA	0000881371	CG	SKYTEL COUP.	5/19/2002	New Station Application
NIA	0000881384	CG	SKYTEL CORP.	5/9/2002	New Station Application
NIA	0000881407	CG	SKYTEL CORP.	5/19/2002	New Station Application
N/A	0000881436	CG	SKYTEL CORP.	5/9/2002	New Station Application
NIA	0000882989	CG	SKYTEL CORP.	5/10/2002	New Station Application
NIA	0000882376	CG	SKYTEL CORP.	5/17/2002	New Station Application
N/A	0000892685	CG	SKYTEL COUP.	5/17/2002	New Station Application
N/A	0000892691	CG	SKYTEL CORP.	5/17/2002	New Station Application
N/A	0000999137	CG	SKYTEL CORP. (DIP)	8/16/2002	Assignment of License
WHI966	199750688	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 5/22/1997	Minor Modification
WHT665	199850191	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Tendered 2/13/1998	Extension
WNEK802	199850064	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 11/17/1997	Major Modification
WHT665	20010330AAQ	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	3/30/2001	Major Modification
WHT665	20010516AAD	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	5/16/2001	Major Modification
KNSC579	20010329AAF	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	3/29/2001	Major Modification
KNSC579	20010516AAE	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	5/16/2001	Major Modification

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WHT739	20010423AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	4/23/2001	Major Modification
WM1355	199550388	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Tendered 1/3/1995	Major Modification
WPW94	199950146	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 11/22/1999	Major Modification
WNTD998	199950145	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 11/22/1999	Major Modification
WNTL542	199950149	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 11/22/1999	Major Modification
WLK226	20010710AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	7/10/2001	Minor Modification
KNSD211	19980911OP	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	9/11/1998	Major Modification
KNSD212	19980911OQ	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	9/11/1998	Major Modification
KNSD213	19980911OR	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	9/11/1998	Major Modification
KNSD215	19980911OT	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	9/11/1998	Major Modification
KNSD214	19980911OS	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	9/11/1998	Major Modification
WHT740	20010423AAB	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	4/23/2001	Major Modification
WHT710	199850285	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Tendered 3/10/1998	Extension
KNSC668	20000731AAC	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	7/31/2000	Major Modification
KNSC667	20000731AAD	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	7/31/2000	Major Modification
KNSC767	20000809AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	8/9/2000	Major Modification
WLW881	20000808AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	8/8/2000	Major Modification
WLW848	20000808AAB	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	8/8/2000	Major Modification
KNSC218	20000726AAP	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	7/26/2000	Major Modification
KNSC891	20000321AAH	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	3/21/2000	Major Modification
KNSC495	20000321AAG	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	3/21/2000	Major Modification
WM1883	20010723AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	7/23/2001	Initial Certification of License
WM1883	20011128AAB	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	11/28/2001	Major Modification
WM1883	199950365	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Tendered 6/17/1999	Extension
KNSC605-H01	20011113AAD	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	11/13/2001	Major Modification
WPW94-B01	199950144	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 11/22/1999	Major Modification
WNTD998-B01	199950147	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 1/22/1999	Major Modification
WNTL542-B01	199950148	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	Accepted 1/22/1999	Major Modification
KNSC257-H01	20020430AAH	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	4/30/2002	Major Modification
KNSC257-H02	20020430AAJ	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	4/30/2002	Major Modification
KNSC216-H01	20011205AAC	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	12/5/2001	Minor Modification
KNSC449-H01	20020507AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	5/7/2002	Major Modification

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KNSC449-H04	20020507AAB	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	51712002	Major Modification
WLK225	20010525AAB	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	512512001	Major Modification
WCU573	20020619AAD	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	611912002	Extension
WHC998	20020619AAH	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	611912002	Extension
WPE97-H01	20020619AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	611912002	Extension
KNV65	20020619AAF	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	6/1912002	Extension
WLW859	20020619AAE	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	611912002	Extension
WNT1314	20020619AAG	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	611912002	Extension
KNSE270-H01	20010525AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	512512001	Minor Modification
WMI855	20020619AAJ	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	611912002	Initial Certification of License
WJM63-H01	20011128AAA	MD	WORLDCOM BROADBAND SOLUTIONS. INC.	11/28/2001	Major Modification
KNSC410-H01	20011226AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	1212612001	Major Modification
WHT729	20010605AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	61212001	Major Modification
N/A	20000811AAB	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	8111/2000	New Station Application for the MDS F Group channels
N/A	20000811AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	811112000	New Station Application for the MDS E Group Channels
N/A	19960510FO	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	5110/1996	New Station Application for the MDS H-3 Channel
N/A	19960510FN	MD	WORLDCOM BROADBAND SOLUTIONS. INC.	5/10/1996	New Station Application for the MDS-2 Channel
N/A	20000818ACG	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	811812000	New Station Application for the MDS 1 & 2A Channels
N/A	20000818ABD	MD	WORLDCOM BROADBAND SOLUTIONS, INC	8/18/2000	New Station Application for the MDS 1 & 2A Channels
N/A	20000802AAO	MD	WORLDCOM BROADBAND SOLUTIONS, INC	81212000	New Station Application for the MDS F Group channels
N/A	20000802AAN	MD	WORLDCOM BROADBAND SOLUTIONS, INC	81212000	New Station Application for the MDS E2, E3, & E4 Channels
N/A	20000801AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC	8/1/2000	New Station Application for the MDS E Group Channels
N/A	20000808AAC	MD	WORLDCOM BROADBAND SOLUTIONS, INC	81812000	New Station Application for the MDS E2, E3, & E4 Channels
N/A	20000808AAD	MD	WORLDCOM BROADBAND SOLUTIONS, INC	81812000	New Station Application for the MDS F1, F2, & F3 channels
N/A	19960531AG	MD	WORLDCOM BROADBAND SOLUTIONS. INC	5131/1996	New Station Application for the MDS H-3 Channel
N/A	19960510FV	MD	WORLDCOM BROADBAND SOLUTIONS, INC	5/10/1996	New Station Application for the MDS H-3 Channel
N/A	19960510FU	MD	WORLDCOM BROADBAND SOLUTIONS, INC	511011996	New Station Application for the MDS H-2 Channel
N/A	19960510FT	MD	WORLDCOM BROADBAND SOLUTIONS, INC	511011996	New Station Application for the MDS H-1 Channel
N/A	20000802AAJ	MD	WORLDCOM BROADBAND SOLUTIONS. INC	81212000	New Station Application for the MDS F1, F2, & F3 channels
N/A	20000802AAB	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	8/2/2000	New Station Application for the MDS E Group Channels

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NIA	19961021EO	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	1012111996	New Station Application for the MDS F Group channels
N/A	20000804AAA	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	8/4/2000	New Station Application for the MDS E3 & E4 Channels
NIA	20000808AAE	MD	WORLDCOM BROADBAND SOLUTIONS, INC.	81812000	New Station Application for the MDS F1, F2, & F3 channels
N/A	20020820AAC	MD	WORLDCOM BROADBAND SOLUTIONS, INC. (DIP)	8/20/2002	Assignment of License
N/A	20020820AAD	MD	WORLDCOM BROADBAND SOLUTIONS, INC. (DIP)	812012002	Assignment of License
NIA	20020820AAE	MD	WORLDCOM BROADBAND SOLUTIONS, INC. (DIP)	812012002	Assignment of License
NIA	0000999185	AL	WORLDCOM BROADBAND SOLUTIONS, INC. (DIP)	811612002	Assignment of License

Rndio Service Codes

AL - All ULS Licenses
CG - Air-ground Radiotelephone
IG - Industrial/Business Pool, Conv.
MD - Multipoint Distribution Service

ATTACHMENT B
FACTS

WorldCom's Public Admissions and the Known Facts Surrounding Its Scandals Reveal a Deep-Rooted Culture of Fraud and Deception

WorldCom's bankruptcy is unprecedented — not only because of the immense amount of money involved, but because the bankruptcy is a direct result of deliberate, blatant and audacious fraudulent acts carried out by the company's senior management.¹⁵⁴ While the entire scope of WorldCom's wrongdoing is not yet known, the facts already discovered — many of which have been admitted by the company — reveal that WorldCom's actions were deliberate and calculated.¹⁵⁵

- On June 25, 2002, WorldCom admitted unprecedented accounting irregularities—irregularities intended to make the company **look** profitable when it was not. Specifically, WorldCom admitted that “certain transfers from line cost expenses to capital accounts...were not made in accordance with generally accepted accounting principles (GAAP).”¹⁵⁶ These transfers, totaling \$3.055 billion in 2001 and \$797

¹⁵⁴ Hearing Before the S. Comm. of Commerce, Science and Transp., 107TH Cong. (2002)(statement of John W. Sidgmore, President and CEO, WorldCom, Inc.)(indicating that there is a “direct link” between “past accounting irregularities” and WorldCom's bankruptcy) at <http://www1.worldcom.com/infodesk/statements/073002/>. Mr. Sidgmore's statement is appended as Attachment G.

¹⁵⁵ In addition to all of WorldCom's admissions of fraud and criminal indictments, in March 2002 the SEC investigated loans in excess of \$400 million that WorldCom made to Mr. Ebbers, which were “the largest a publicly traded company has given to an officer in recent memory.” Jared Sandberg, *WorldCom Says Board Members Sold Stock to Cover Debt*, WALL ST. J., May 21, 2002. On March 11, 2002, the SEC requested information regarding loans from WorldCom to its corporate officers. *WorldCom Receives SEC Inquiry*, WorldCom Press Release, March 11, 2002, at <http://www1.worldcom.com/global/about/news/news2.xml?newsid=2010&mode=long&lang=en&width=530&root=/global/about/&langlinks=off> (last visited Sept. 16, 2002). This probe led to the eventual resignation of Mr. Ebbers on April 30, 2001. *WorldCom Inc. Announces Executive Changes*, WorldCom Press Release, April 30, 2002, at <http://www1.worldcom.com/global/about/news/news2.xml?newsid=2491&mode=long&lang=en&width=530&root=/global/about/&langlinks=off> (last visited Sept. 16, 2002).

¹⁵⁶ *WorldCom Announces Intention to Restate 2001 and First Quarter 2002 Financial Statements*, WorldCom Press Release, June 25, 2002, available at <http://www1.worldcom.com/global/about/news/news2.xml?newsid=3230&mode=long&lang=en&width=530&root=/global/about/> (last visited Sept. 16, 2002) (“*WorldCom June 25 Press Release*”). This announcement is appended as Attachment H.

million in 2002, were made during 2001 and the first quarter of 2002—and were reflected in various government filings and public statements.¹⁵⁷

- Without these transfers, WorldCom’s EBITDA would have been reduced to \$6.339 billion for 2001 and \$1.368 billion in the first quarter of 2002, and the company would have reported a net loss for 2001 and first quarter 2002.¹⁵⁸
- WorldCom’s President and Chief Executive Officer, John W. Sidgmore, publicly acknowledged the company’s “misdeeds,”¹⁵⁹ indicating that WorldCom “misstated [its] earnings for the last five quarters.”¹⁶⁰
- In a July 8, 2002 SEC filing, WorldCom acknowledged that “there was no directly applicable accounting support” for its large transfers.¹⁶¹
- On June 26, 2002, the SEC determined that the “WorldCom disclosures confirm that accounting improprieties of unprecedented magnitude have been committed in the public markets.”¹⁶² Based on this determination, the SEC contemporaneously filed a complaint against WorldCom in U.S. District Court, seeking injunctive relief and civil monetary penalties. In its complaint, the agency stated, in part, that WorldCom “defrauded investors... [i]n a scheme directed and approved by its senior management” in violation of the Securities Exchange Act of 1934.¹⁶³
 - The SEC Complaint stated that, as a result of the intentional misallocation of costs, WorldCom’s 10-Q reports for the second, third and fourth quarter of 2001 and the first quarter of 2002, as well as the 10-K form filed for the **full** year 2001, contained false and misleading statements with respect to material facts.¹⁶⁴ According to the SEC, the misleading statements were the result of

¹⁵⁷ *Id.*

¹⁵⁸ *Id.*

¹⁵⁹ Sidgmore **July 8 Statement**.

¹⁶⁰ *WorldCom Press Conference Statement*

¹⁶¹ *Revised Statement Pursuant to Section 21(a)(1) of the Securities Exchange Act of 1934 re WorldCom, Inc.*, HO-09440 (July 8, 2002), at http://www1.worldcom.com/global/investor_relations/revised_section21.pdf (last visited Sept. 9, 2002) (“*Revised Section 21(a)(1) Statement to SEC*”).

¹⁶² *SEC Statement Concerning WorldCom* (June 26, 2002), at <http://www.sec.gov/news/press/2002-94.htm> (last visited Sept. 16, 2002) (“*SEC June 26 Statement*”).

¹⁶³ *SEC Complaint* at 1

¹⁶⁴ *SEC Complaint* at 5

WorldCom's failure to disclose its improper accounting of line costs, failing to disclose that its accounting treatment of these costs had changed, and failing to disclose that its line costs were increasing as a percentage of revenue.¹⁶⁵ The intent and effect of this accounting legerdemain was to inflate WorldCom's net revenues and, thus, to deceive those who read and relied on WorldCom's statements.

- SEC Chairman Harvey L. Pitt, later said that "[w]hat happened at WorldCom...is an outrage. What we also know we're looking at isn't a mistake, it's a fraud."¹⁶⁶
- The Sullivan and Yates Indictment stated that the fraudulent accounting changes were made at the direction of Scott D. Sullivan, WorldCom's then-Chief Financial Officer, and David F. Myers, the company's then-Senior Vice President and Controller.¹⁶⁷
- In its July 8, 2002 SEC filing, WorldCom stated that during May 2002, its internal auditors "began an investigation of certain of the Company's capital expenditures and capital accounts."¹⁶⁸ Cynthia Cooper, a corporate Vice President, headed the internal audit.¹⁶⁹ By early June, Ms. Cooper had "determined that a number of questionable transfers had been made into the Company's capital accounts during 2001 and the first quarter of 2002."¹⁷⁰ She discussed these findings with Mr. Sullivan, who asked her to delay the audit.¹⁷¹
- WorldCom's submission to the SEC also included an internal memorandum from Mr. Sullivan, in which he outlined the accounting irregularities.¹⁷² In effect, Mr. Sullivan said that the management of WorldCom had instituted a cost deferral system in order to continuously match up costs and revenues—a system by which costs and revenues would be kept in constant balance.¹⁷³ Mr.

¹⁶⁵ *SEC Complaint* at 3-4.

¹⁶⁶ *See supra* note 15.

¹⁶⁷ *United States v. Sullivan and Yates*, Indictment 02 Cr., 24-25 (S.D.N.Y. Aug. 27, 2002) ("Sullivan and Yates Indictment").

¹⁶⁸ *Revised Section 21(a)(1) Statement to SEC*.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

¹⁷² *Revised Section 21(a)(1) Statement to SEC*, Exhibit 4

¹⁷³ *Id.*

Sullivan further said that “[a]t the time of the cost deferral, management had determined that future economic benefit would be derived from these contractual commitments as the revenues from these service offerings reached projected levels” and that “management fully believed that the projected revenue increases would more than offset the future lease commitments and deferred costs under the agreements.”¹⁷⁴

- On August 8, 2002, WorldCom announced further accounting irregularities. The company admitted to the SEC that it “discovered an additional \$3.3 billion in improperly reported earnings...for 1999, 2000, 2001 and the first quarter of 2002.”¹⁷⁵

9 WorldCom also acknowledged that “additional amounts of improperly reported EBITDA and pretax income may be discovered and announced . . .” as the company’s investigation continues.¹⁷⁶ WorldCom may write off all existing goodwill and intangibles, totaling \$50.6 billion when its revised financial statements are released.¹⁷⁷

Throughout this period, WorldCom insiders personally benefited from WorldCom’s misstatement of earnings by the trading large amounts of stock at inflated prices. For example, Mr. Sidgmore sold \$70.7 million worth of WorldCom shares in 1999 and \$48 million in 1998,¹⁷⁸ while CEO Bernard Ebbers sold WorldCom stock for over \$70 million in September 2000.¹⁷⁹

Prior to the company’s June announcement, WorldCom took great pains to conceal its accounting improprieties.

¹⁷⁴ *Id.*

¹⁷⁵ *WorldCom Announces Additional Changes to Reported Income for Prior Period*, WorldCom Press Release, Aug. 8, 2002 available at <http://www.1.worldcom.com/global/about/news/news2.xml?newsid=4111&mode=long&lang=en&width=530&root=/global/about/> (last visited Sept. 6, 2002) (“*WorldCom Aug. 8 Press Release*”). This press release is appended as Attachment K.

¹⁷⁶ *Id.*

¹⁷⁷ *Id.*

¹⁷⁸ See *supra* note 117 (*WorldCom’s insiders didn’t dump their stock*).

¹⁷⁹ See *supra* note 117 (*WorldCom troubles worsen*).

- The company did not disclose its changed accounting practices to its outside auditors.¹⁸⁰
- The company also failed to publicly disclose its changed practices to the SEC even though its 10-K filings, as required, detailed other significant changes in its accounting practices.”
- On August 27, 2002 a federal grand jury indicted Mr. Sullivan and WorldCom’s former Director of General Accounting, Buford Yates, Jr., for fraud and numerous violations of the Securities Exchange Act.¹⁸²
 - The Indictment charged that Mr. Sullivan, Mr. Yates and “co-conspirators..engaged in an illegal scheme to inflate artificially WorldCom’s publicly reported earnings by falsely and fraudulently reducing reported line cost expenses.”¹⁸³ Further, “SULLIVAN, YATES, and their co-conspirators made these false and fraudulent journal entries in WorldCom’s general ledger knowing, and intending..that the investing public would rely on such overstated earnings.”¹⁸⁴

While WorldCom’s Board of Directors has focused on the actions of Mr. Sullivan and Mr. Myers, it seems clear that other senior WorldCom managers were directly involved in, had knowledge of or reasonably should have known of the company’s financial deceptions.

- The Justice Department averred that besides Mr. Sullivan and Mr. Myers, “others known and unknown” have “unlawfully, willfully, and knowingly..directly and indirectly..engag[ed] in acts..which operated and would operate as a fraud and deceit upon the purchasers and sellers of WorldCom”¹⁸⁵
- The U.S. Attorney’s Office informed the U.S. District Court that the “government is continuing its investigation and we do plan to supersede at

¹⁸⁰ Sworn deposition of Paul J. Higgins, Special Agent, Federal Bureau of Investigation, in *U.S. v. Scott D. Sullivan and David F. Myers* at 13, (filed July 31, 2002 in Sealed Complaint Proceeding in U.S. District Court, Southern District of New York)(“*Higgins Deposition*”).

¹⁸¹ *SEC Complaint* at 4.

¹⁸² *See Sullivan and Yates Indictment*.

¹⁸³ *Id.* at 15.

¹⁸⁴ *Id.*

¹⁸⁵ *Higgins Deposition* at 2.

some point, to add charges to the same scheme and to potentially add defendants.””

➤ Moreover, Mr. Sullivan stated that other senior WorldCom officials were involved in the determination to misstate earnings. In describing his actions to the Board of Directors and in his guilty plea allocution before the U.S. District Court, Mr. Sullivan stated that the changes in accounting practices were made by the “management” of WorldCom.¹⁸⁶

➤ During his guilty plea allocution to the U.S. District Court on September 26, 2002, Mr. Meyers admitted that he:

was instructed on a quarterly basis by senior management to ensure that entries were made to falsify WorldCom’s books to reduce WorldCom’s reported actual costs and therefore to increase WorldCom’s reported earnings. Along with others, who worked under my supervision and at the direction of WorldCom senior management, such accounting adjustments were made for which I knew that there was no justification or documentation and which I knew were not in accordance with Generally Accepted Accounting Principles.¹⁸⁷

➤ On October 7, 2002, Buford Yates, Jr., the Director of General Accounting at WorldCom, admitted that he was directed to make adjustments to WorldCom’s financial statements that contravened generally accepted accounting principles, during his guilty plea to U.S. Magistrate Judge Andrew J. Peck. Mr. Yates’ attorney, David Schertler, also stated that “[Mr. Yates] strenuously objected to making those adjustments,” but when Mr. Yates objected, “he was told they had been approved by the highest levels of WorldCom management.””*

➤ It is clear from documents provided to the House Committee on Financial Services that WorldCom’s current CEO, Mr. Sidgmore, had some knowledge of the company’s financial straits (and the fraudulent reporting of a profit for 2001). Upon learning of WorldCom’s declining revenue in October 2000, Mr. Sidgmore wrote to Mr. Sullivan stating “it’s going to take some pretty fancy explaining [to show good revenue results].”¹⁸⁹

¹⁸⁶ *Revised Section 21(a)(1) Statement to SEC*, Exhibit 4.

¹⁸⁷ *United States v. Myers*, Plea, Case no. 02 Cr. 1261 (S.D.N.Y. September 26, 2002).

¹⁸⁸ *See supra* note 17.

¹⁸⁹ *See supra* note 29.

Throughout this period, it is apparent that WorldCom's Board of Directors, and particularly its Audit Committee, reasonably could have learned of the wrongdoing but failed to do so.

- 9 WorldCom's Board of Directors, when presented with the opportunity to apprise themselves of the company's fraud in other situations, failed to aggressively and forthrightly pursue the facts. More than a year ago, two WorldCom employees complained to supervisors about accounting irregularities for calendar year 2000 and, in fact, accounting irregularities were the subject of an ongoing shareholder lawsuit.¹⁹⁰ However, it does not appear that the company's Board of Directors or its Audit Committee bothered to investigate the allegations.
- This nonchalance continued until shortly before WorldCom's improprieties became public knowledge. As part of her investigation, Ms. Cooper apprised the Chairman of the WorldCom Board's Audit Committee, Max Bobbitt, of the wrongdoing and proposed to apprise the Audit Committee at its June 14, 2002 meeting. Mr. Bobbitt, however, declined Ms. Cooper's proposal.¹⁹¹

Remarkably, WorldCom failed to take any responsibility for its actions. In contrast to WorldCom's public campaign of contrition and cooperation and despite the mounting evidence of wrongdoing on a massive scale, the company's insistent legal position is that it has done absolutely nothing wrong. In fact, in court filings, WorldCom specifically denied "defraud[ing] investors" by "improperly transferring certain costs to its capital accounts [and] falsely portray[ing] itself as a profitable business during 2001 and the first quarter of 2002[]"¹⁹² while—at the same time—Mr. Sidgmore "apologize[s] on behalf of everyone at WorldCom" for the company's "misdeeds."¹⁹³

¹⁹⁰ Neil Weinberg, *Asleep at the Switch: WorldCom Book-Cooking Was Laid Out a Year Ago*, *Forbes*, July 22, 2002.

¹⁹¹ *Revised Section 21(a)(1) Statement to SEC* at 3.

¹⁹² *WorldCom Answer* at 1-2.

¹⁹³ *Sidgmore July 8 Statement*.

ATTACHMENT C
FURTHER STATEMENT OF INTEREST
OF THE OFFICE OF COMMUNICATION
OF THE UNITED CHURCH OF CHRIST, INC.

Further Statement **of** Interest
of the
Office of Communication
of the **United Church of Christ, Inc.**

OC-UCC's decision to bring the issues regarding WorldCom's character qualifications to the Commission's attention harkens back to UCC's own history as a public interest force in the communications industry. As illustrated in the Petition, UCC brought and pursued the first complaints against Jackson, Mississippi's rigidly segregated television stations in 1955, resulting – after pursuing the matter through the Federal courts – the adoption of rules by the Commission which pushed many of the industries under FCC authority to make great strides in desegregating and in promoting equal opportunity.

Today, other forms of misconduct by FCC regulatees, in addition to discrimination, diminish the "rapid, efficient, nationwide and world-wide wire and radio communication service with adequate facilities at reasonable charges" that all Americans are entitled to expect from their FCC regulated industries.¹⁹⁴

The Petition emphatically believes that system that allowed the failures of WorldCom illustrates why the full participation of all Americans in the regulation of telecommunications and information technology is just as essential to the success of the economy, and to democracy, as access to broadcast television was in 1966

Here is what can happen to a host **of** stakeholders when a telecommunications regulatee perpetuates a fraud of the scale and nature detailed here:

- Investors in the telecommunications sector of our economy lose confidence; small investors lose their shirts. Aware that internal controls and regulatory oversight are so weak that systemic fraud can take down a huge company like WorldCom, investors become hesitant to underwrite new facilities **or** innovative new services, **or** to bear the cost of finding ways to more efficiently use excess capacity. Small and

¹⁹⁴ 47 U.S.C. § 151 (1996).

large telecommunications enterprises experience difficulty raising capital on reasonable terms. Consequently, the industry as a whole may no longer provide optimal levels and varieties of service.

- Ratepayers will inevitably pay higher prices for telecommunications services. When a major telecommunications company like WorldCom implodes, that company becomes focused on survival -- not on competing effectively. With one fewer aggressive long distance competitor, long distance prices inevitably will increase and service levels inevitably will decline. Those most deeply affected are likely to be residential customers, particularly those residing in the rural and low income areas that are already the least well served by the telecommunications industry.
- Employees who lost their jobs in the wake of the WorldCom scandal will have fewer opportunities to put their unique and specialized skills to good use. "Retraining" may not be an option when there are mouths to feed. Families whose breadwinners lost their jobs will have to leave their homes, their churches, their friends and neighbors and move to other states where there might be some chance of gainful employment. With their pensions and 401(k) plans wiped out, many will have to rebuild from nothing.¹⁹⁵
- Potential employees will recognize that the instability of the telecommunications sector does not offer the promise of a long and stable career. Talented people will choose other fields of study; talented entrepreneurs will choose other fields of enterprise. The loss of future brainpower means the loss of future industry competitiveness.
- Honest telecom companies will be deprived of the full competitive value of the services of skilled employees. As noted above, potential newcomers to the field will avoid telecommunications careers, and former WorldCom employees will endure periods of unemployment during which they will not remain current on the technology. Telecom companies innocent of wrongdoing inevitably will bear some of the burden of industry wide employee dislocations.

¹⁹⁵ For a thorough and poignant discussion of what happens to employees in a bankruptcy, see Shawn Young, *In Bankruptcy, Getting Laid Off Hurts Even Worse: WorldCom's Ex-Employees Suffer Loss of Severance, End of Health Insurance*, Wall ST. J., Sept. 30, 2002, at p. 1 col. 6. Compare the plight of these workers to that of the executives who ran the companies that had to lay them off. *Homes of the Rich and Famous: "While former WorldCom CFO Scott Sullivan sat stoically before lawmakers last week — amid cries that executives responsible for corporate scandals be jailed — construction continued on his \$15 million lakeside mansion in Boca Raton, Fla."* USA Today, July 14, 2002, at <http://www.usatoday.com/money/economy/housing/2002-07-15-rich-infamous-homes.htm>.

- Rural consumers and the poor are already inadequately served by telecommunications.¹⁹⁶ They suffer from racial and economic disparities in online internet access¹⁹⁷ and in broadband access.¹⁹⁸ Thanks to WorldCom's misdeeds, they will experience slower growth in access to the telecommunications infrastructure. In particular, the Universal Service Fund and the e-rate program are driven by the volume of industry service, and those service levels will be suboptimal as investors move their money to other sectors of the economy.
- Communities face economic and social disaster if they were highly dependent on WorldCom's employee payrolls, property taxes and corporate citizenship. A prime example is Jackson, Mississippi, the original home of WorldCom. Downtown Jackson still houses much of the back office staff of the company. Today, the city faces a body blow to its economic stability and to its ability to serve the pressing educational and health care needs of its predominately low income, African American population.

Without doubt, the impact of the failure of a major telecommunications services and infrastructure provider on the public interest cannot be underestimated. OC-UCC now steps forward to raise the issue and pursue the measures necessary with the same dedication and zeal that it did with its public interest advocacy in broadcasting.

¹⁹⁶ FCC, ***New Telephone Subscribership*** (released February 7, 2002) (data as of July, 2001), reporting that telephone penetration for the nation was 95.1%, and for households with incomes over \$60,000 it was 98.9%; but for households with annual incomes below \$5,000 it was only 81.7%. Telephone penetration was 95.8% for White households, 91.3% in Hispanic households and 90.3% in African American households.

¹⁹⁷ See NTIA, ***A Nation Online: How Americans Are Expanding Their Use of the Internet*** (released Feb. 2002) (data as of Sept. 2001) (finding that children 10-17 years old exhibited Internet use rates as follows by race: Asian American/Pacific Islanders: 79.4%; Whites: 79.7%; African Americans: 52.3%; Hispanics: 47.8%. Children 10-17 years old in families in the less than \$15,000 income bracket had a 45.7% Internet use level, while children in families in the \$75,000 and above income bracket had an 87.5% Internet use level).

¹⁹⁸ ***Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans***, Third Report, FCC 02-33 (released Feb. 6, 2002) (data as of June 2001) (finding that high speed subscribers were reported in 97% of the most densely populated zip codes but in only 49% of the lowest population density zip codes. The FCC did not determine whether more than one resident in these zip codes had high speed service. High speed subscribers were reported in 96% of the top one-tenth of zip codes ranked by median family income, but in only 59% of the zip codes with the lowest median family income. The report candidly acknowledged that "some of the low-income zip codes that have high-speed subscribers include businesses or industrial areas of major cities that have large demand for high-speed services. Thus, high-speed availability for residential low-income residents in these zip codes may actually be less prevalent than suggested here."). *Id.* at para. 38.

ATTACHMENT D

DECLARATION OF REV. ROBERT CHASE

DECLARATION OF REVEREND ROBERT CHASE

My name is Rev. Robert Chase. I am the Executive Director of the Office of Communication, Inc., United Church of Christ ("OC Inc."). I am a United States Citizen, residing with my family in Lakewood, Ohio.

I have carefully reviewed, and I hereby subscribe to the foregoing Informal Objection on behalf of OC Inc. The facts stated therein are true to the best of my personal knowledge and belief except where identified as having been based upon official records, court cases, and material on file with the Federal Communications Commission or other agencies or authoritative articles in publications of record.

I am a local exchange and long distance customer at my residence, where I receive and can transmit voice and data, which travels over facilities interconnected to and that rely in part upon facilities controlled by WorldCom, Inc. and its subsidiaries (together "WorldCom"). My residence is subscribed to Worldcom for long distance services.

OC Inc. is a local exchange and long distance customer at its offices in Cleveland, Ohio, where OC Inc. receives and transmits voice and data that travel over or are interconnected with facilities controlled by WorldCom, which exist as a result of licenses or certificates issued by the Commission. The offices of OC Inc. subscribed to MCI for its long distance services until 1997.

I declare under penalty of perjury that the foregoing is true and correct.

Executed

10/9/02



Rev. Robert Chase
Executive Director
Office of Communication, Inc.,
United Church of Christ
700 Prospect
Cleveland, OH 44115

ATTACHMENT E

**Statement of John W. Sidgmore, President and CEO of WorldCom, Inc.
Before the Committee on Financial Services, U.S. House of Representatives
July 8, 2002**

**STATEMENT OF
JOHN W. SIDGMORE
PRESIDENT & CHIEF EXECUTIVE OFFICER
WORLDCOM, INC.
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
JULY 8, 2002**

My name is John Sidgmore and I am the President and Chief Executive Officer of WorldCom, Inc. About two months ago, when I agreed to take over as CEO, it was clear that the company faced significant challenges. But I never imagined what was in store for **us**.

Since WorldCom's public announcement on June 25, 2002 that the company misstated its earnings for 2001 and the first quarter of 2002, there's been an understandable outpouring **of** anger from every quarter of American society. While the misdeeds we uncovered occurred before I became CEO, I want to apologize on behalf of everyone at WorldCom. And I want to underscore that WorldCom's new management team — and our more than 60,000 employees — share the public's outrage over these events.

I cannot change the past. But I **am** responsible for what we do now and in the future. In this statement, I will outline a number of important steps that we have already taken and that we will take in the coming months. Let me remind you at the outset, however, that WorldCom uncovered this problem internally. In effect, we audited our external auditors – we found what they missed -- and promptly brought this matter to the attention of the Securities and Exchange Commission (SEC). Looking ahead, my actions will be guided **by** my commitment to restore public confidence in this great company and to operate WorldCom according to the highest standards of ethics and integrity.

One of the most important steps we can take is to make sure that past transgressions are fully investigated and that wrongdoers are punished. Then we can move forward in an open and honest manner. We are therefore cooperating fully with the various official investigations – **by** the SEC, the Department of Justice and the Congress -- to ensure that those responsible are brought to justice.

For example, on **July** 1, 2002, we filed **a** written statement with the SEC that included a summary of key events, known to **us** at that time, that led to our June 25th announcement. A copy of the statement we provided to the SEC is attached. As you will note, it detailed how the accounting irregularities were recently discovered by our internal audit team, led by Ms. Cynthia Cooper. The kind of initiative demonstrated ~~by~~ our internal audit group is to be applauded and will continue to be encouraged. Our SEC statement also documents

actions taken by our Board of Directors when the matter was brought to its attention. The Board moved swiftly and decisively. Its actions included terminating our Chief Financial Officer and promptly reporting the matter to the SEC and to the public.

Our SEC filing was not, of course, the last word. I had a productive telephone conversation with SEC Chairman Harvey Pitt and his staff last week. We offered to clarify certain points in our July 1 statement and reiterated our commitment to work closely with the Commission's staff as its own investigation moves forward.

Many questions still remain. We won't know the answers until the conclusion of the pending investigations. We will continue to cooperate fully with the various agencies and the Congress to answer those questions.

WorldCom is being proactive. With the full support of WorldCom's new management team, the company's non-management directors retained William McLucas, former Chief of the Enforcement Division of the SEC, to perform an independent investigation of the facts and circumstances underlying the transfers. He will investigate not only our past and current management team, but also our Board regarding any individual involvement. His report will identify the wrongdoers and it will clear those who had no involvement. Let me emphasize that Mr. McLucas' investigation also has a broader purpose; namely, to enable us to put into place new or modified internal procedures to prevent any recurrence of this type of event.

If we are to be a model for corporate behavior going forward, we must be transparent and above reproach. Therefore, in our July 1 **SEC** statement, we clearly stated that we were examining whether additional earnings restatements might be required for periods **going** back to 1999 with respect to the accounting for reserves established by the company. We are committed to completing this analysis, with the assistance of our new external auditors, KPMG, at the earliest possible date and to announcing the results of that analysis promptly.

Through these and other steps, we will restore public trust in WorldCom. While our reputation has suffered a tremendous blow, ours **is** a great company that the new management team will do everything in our power to save.

Millions of people have a real stake in WorldCom's survival – our customers, our employees, our lenders, our shareholders, and **our** suppliers. But it goes beyond that: the United States itself has **a** major **stake** in our survival. We play a vital role in America's telecommunications infrastructure:

- WorldCom is a strong, innovative company with tremendous assets. We have annual revenues of more than **\$30** billion, and even after our recent layoffs, we have more than 60,000 employees.

-
- WorldCom has more than 20 million customers. On the residential side, our MCI phone service handles 70 million phone calls every **weekend** alone. And tens of thousands of businesses depend on our services to support their mission-critical applications.
 - WorldCom is the largest Internet carrier in the world. Our operations provide Internet services to some 100 countries on six continents.
 - WorldCom is a provider of network services for critical applications for the United States Government. These applications include the provision of customer service to 80 million Social Security beneficiaries, air traffic control applications for the Federal Aviation Administration, network management for the Department of Defense, and critical data network services for the U.S. Postal Service. In addition, WorldCom provides long distance voice and data communications services for the House, the Senate, and the General Accounting Office. Our company provides those same kinds of services for virtually every government agency under its FTS2001 contract. In addition, WorldCom provides support for law enforcement and homeland security agencies, as well as agencies concerned with national security.

In other words, WorldCom is a key component of our nation's economy and communications infrastructure. Both commercial and national security interests rely upon WorldCom's operations continuing without disruption. Let me assure this

Committee that WorldCom is honored by the faith and trust placed in us by our customers, large and small, public and private. We have earned their business by providing them superior pricing and service. We intend to keep their business by continuing to provide them with unsurpassed quality and value.

Furthermore, WorldCom's presence ensures competition in the rapidly consolidating telecom industry. No other company's legacy matches ours in terms of promoting competition and delivering its benefits to consumers and businesses in both pricing and product innovation. WorldCom is one of the last hopes for America to realize the intended benefits of the 1996 Telecom Act.

We are committed to ~~our~~ company's survival. I have been fighting hard ~~to~~ keep the company operating at full speed despite the issues that now surround us. Although we have significant cash on hand, we are in close ~~communications~~ with our lenders to ~~secure~~ replacement lines of credit.

We are also streamlining the business by selling ~~non-core~~ assets and taking other steps to raise capital and trim expenses, allowing us to focus on our core business and our customers' needs. When ~~all~~ is said and done, the best way to rebuild shareholder value, serve our customers, save jobs, and promote our nation's interests is to have an ethical and profitable business.

Today, WorldCom needs the support, understanding and patience of our customers, our suppliers, our lenders and the American people. And we need your support. We will continue to be straight about any problems we may discover and act aggressively to solve them.

Mr. Chairman and members of the Committee, we will work hard to regain your trust and that of the American people, as well as to rebuild the value of the company. We will return your faith in us by **making** a significant difference in the marketplace – providing industry-leading telecom services and unsurpassed value to consumers and businesses everywhere.